

Hearing Date: February 7, 2018 at 9:30 a.m. (Atlantic Standard Time)

Objection Deadline: January 23, 2018 at 4:00 p.m. (Atlantic Standard Time)

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.*

(Jointly Administered)

Debtors.¹

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In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17 BK 4780-LTS

PUERTO RICO ELECTRIC POWER AUTHORITY,

Debtor.

**This Declaration relates only
to PREPA, and shall be filed in
Case No. 17 BK 3283-LTS and
Case No. 17 BK 4780-LTS**

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**DECLARATION OF NELSON MORALES RIVERA IN SUPPORT OF
PREPA'S FIRST OMNIBUS MOTION FOR ENTRY OF AN ORDER AUTHORIZING
PREPA TO ASSUME CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL
REAL PROPERTY PURSUANT TO BANKRUPTCY CODE SECTION 365**

I, Nelson Morales Rivera, under penalty of perjury, declare as follows:

¹ The Debtors in the jointly-administered Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (iv) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

1. I am the Chief Financial Officer of the Puerto Rico Electric Power Authority (“PREPA”). I am authorized to make and submit this declaration on behalf of PREPA. Except as otherwise noted, I have personal knowledge of the matters set forth herein, and if called upon and sworn as a witness, I could and would testify competently thereto.

2. This Declaration is made in support of *PREPA’s First Omnibus Motion for Entry of an Order Authorizing PREPA to Assume Certain Unexpired Leases of Nonresidential Real Property Pursuant to Bankruptcy Code Section 365* (the “Motion”).²

3. One (1) of the Real Property Leases relates to commercial space used by PREPA for a regional office. Regional offices are an important component of PREPA’s business operations. Having a regional presence enables PREPA to address region-specific matters in a timely fashion and effectively manage localized vendor, customer, and service issues. Employees at the regional office perform a variety of administrative services including, among other things, technician coordination, payment processing, and certain customer service functions.

4. The other Real Property Lease relates to commercial space used by PREPA as a customer service center. At this location, employees respond to customer inquiries, process customer payments, and interface with other departments to resolve service issues. This lease provides favorable lease terms and enables PREPA to operate in a region that otherwise has limited suitable commercial space.

5. PREPA and its advisors have evaluated the benefits and burdens of the Real Property Leases and determined that it is in PREPA’s best interest to assume the Real Property Leases. I believe the rent payable under each of the Real Property Leases is reasonable for the respective market of each lease, and PREPA would not likely be able to find comparable office

² Capitalized terms not otherwise defined herein shall have the meaning given to them in the Motion.

space on similar lease terms in a timely manner; rather, PREPA would likely encounter disruption and incur a greater expense if it had to search for alternative locations and relocate rather than assume the Real Property Leases.

6. With PREPA currently facing numerous operational and financing issues in the midst of its recovery from Hurricanes Irma and Maria and restructuring efforts, the assumption of the Real Property Leases will enable PREPA to avoid potential business disruptions that could negatively impact PREPA's operations and limit distraction of PREPA's management and advisors from more pressing matters. Accordingly, I believe that assuming the Real Property Leases would be a sound exercise of PREPA's business judgment.

7. PREPA and its advisors will work with the counterparties to the Real Property Leases to reconcile past due amounts under the Real Property Leases. Promptly upon assumption of the Real Property Leases, PREPA will pay amounts owed to cure any such defaults. The obligations under the Real Property Leases are not significant in relation to PREPA's larger operational budget, and PREPA expects to be able to satisfy these obligations for the duration of the respective lease terms. PREPA is working to address its short-term liquidity issues arising from post-Hurricane revenue interruption, and expects those issues to be resolved shortly. Through these ongoing efforts, PREPA expects to obtain sufficient working capital to pay both the cure amounts and the ongoing rental obligations under the Real Property Leases.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true
and correct to the best of my information, knowledge, and belief.

Executed on January 29, 2018

A handwritten signature in blue ink, appearing to read 'NMR', is written above a horizontal line.

Nelson Morales Rivera
Chief Financial Officer